

FISCAL UPDATE

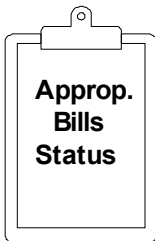
April 5, 2004

Legislative Services Agency

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STATUS OF APPROPRIATIONS BILLS



Appropriations Subcommittee Bills			
Appropriations Subcommittee		LSB/File#	Status
Omnibus Appropriations		SF 2298	Passed Senate on March 30 and the House Appropriations Committee on April 1.
Transportation		SF 2112	Passed House on March 15.

Note: Individual Subcommittee Appropriations Bills were passed on March 18.

Other Appropriations Bills			
98.0% General Fund Expenditure Limitation		HF 2039	Item vetoed and signed by the Governor on February 12.
Waste Tire Management Fund		HF 2349	Passed House on April 1.
Environment First Fund Supplemental		HF 2538	Governor signed on April 2.
Spending Limitations		HF 2545	Passed House Appropriations Committee on March 17.
Public Health Omnibus		HF 2555	Passed House Appropriations Committee on March 24.
Birth Certificate Registration Fees		SF 2059	Signed by the Governor on March 18.
FY 2006 Allowable Growth Rate		SF 2124	Governor vetoed on March 5.
Public Health Disaster Funding		SF 2153	Passed Senate on March 17.
Avian Influenza		SF 2194	Passed Senate on March 31.
Regents Bonding Authority		SF 2287	Passed Senate Appropriations Committee on March 10.
Federal Block Grant Bill		SF 2288	Passed Senate on March 29.
Program Review and Sunset Bill		SF 2292	Passed Senate Appropriations Committee on March 17.

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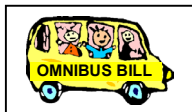
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**SENATE CHAMBER AND HOUSE APPROPRIATIONS
COMMITTEE PASS OMNIBUS APPROPRIATIONS BILL – SF
2298**

Bill Passage

The Senate passed SF 2298 (FY 2005 Omnibus Appropriations Bill) on March 30 and the House Appropriations Committee passed the Bill on April 1.

House Approps. Funding



Senate File 2298, as amended by House Amendment 8365, appropriates a total of \$4.461 billion from the General Fund and 35,194.6 FTE positions, a decrease of \$30.5 million and an increase of 169.9 FTE positions compared to the estimated net FY 2004 appropriation. The Bill also appropriates \$582.9 million from non-General Fund sources, an increase of \$183.0 million compared to estimated net FY 2004. Significant changes made by the House Appropriations Committee include:

- Appropriates a total of \$22.4 million and 407.6 FTE positions to the Departments of Economic Development and Workforce Development, the Public Employment Relations Board (PERB), and the Regents institutions' economic development programs. This maintains the current level of General Fund support and a decrease of 6.0 FTE positions for the following:
 - An increase of \$300,000 to the Business Development Division of the Department of Economic Development.
 - A decrease of \$300,000 and 6.0 FTE positions to the Department of Workforce Development for Safety and Health Consultants and a Deputy Commissioner.
- Appropriates a total of \$393.5 million and 5,880.4 FTE positions to the Justice System. This is an increase of \$10.3 million and 67.2 FTE positions compared to the estimated net FY 2004 General Fund appropriation. The House Appropriations Committee Amendment reduces the Department of Corrections General Fund appropriation by \$75,000 to eliminate the Fifth District CBC special project.
- Strikes language setting a cap for State Foundation Aid and the language requiring per pupil reductions if funding is not adequate. State Foundation Aid after other changes in the Bill, is estimated to be \$1,881.2 million.
- Permits a school district to increase participation in the Instruction Support Program under certain conditions.
- Replaces one-year changes to tax credits with statutory Code of Iowa changes.
- Repeals the State mandate requirement that permits political subdivisions to prorate tax credits and exemptions when funding is not provided. This results in the political subdivision partially funding the tax credits or exemptions.
- Allows the Department of Natural Resources to grant public road access to a landowner under specific conditions.



Senate Funding

Senate File 2298, as passed by the Senate, appropriates a total of \$4.461 billion from the General Fund and 35,200.6 FTE positions, a decrease of \$29.9 million and an increase of 175.9 FTE positions compared to the estimated net FY 2004 appropriation. The Bill also appropriates \$582.9 million from non-General Fund sources, an increase of \$183.0 million



compared to estimated net FY 2004. Significant changes made by the Senate include:

- Appropriates a total of \$22.4 million and 413.6 FTE positions to the Departments of Economic Development and Workforce Development, the Public Employment Relations Board (PERB), and the Regents institutions' economic development programs. This maintains the current level of General Fund support and an increase of 6.0 FTE positions.
- Appropriates a total of \$888.5 million from the General Fund and 17,239.1 FTE positions to the College Student Aid Commission, the Departments for the Blind, Cultural Affairs, Education, and the Board of Regents. This is an increase of \$8.1 million and no change in FTE positions compared to the estimated net FY 2004 General Fund appropriations.
- Appropriates a total of \$271.1 million from the General Fund and 4,106.8 FTE positions to the Department of Corrections. This is an increase of \$5.8 million and 24.7 FTE positions compared to the estimated net FY 2004 appropriation.

Bill Funding Summary

The following is a funding summary for each Division of the Bill after passage by the House Appropriations Committee:

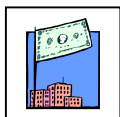
Division I

Administration and Regulation Appropriations—The Bill appropriates a total of \$91.6 million from the General Fund and 1,623.3 FTE positions for the 13 departments of the Administration and Regulation Appropriations Subcommittee. This is a decrease of \$2.8 million and 1.3 FTE positions compared to the estimated net FY 2004 appropriations.

Division II

Agriculture and Natural Resources Appropriations—The Bill appropriates a total of \$34.2 million from the General Fund and 1,490.8 FTE positions to the Departments of Agriculture and Land Stewardship and Natural Resources. This maintains the current level of General Fund support and FTE positions.

Division III



Economic Development Appropriations—The Bill appropriates a total of \$22.4 million and 407.6 FTE positions to the Departments of Economic Development and Workforce Development, the Public Employment Relations Board (PERB), and the Regents institutions economic development programs. This maintains the current level of General Fund support and FTE positions.

Division IV

Education Appropriations—The Bill appropriates a total of \$888.5 million from the General Fund and 17,239.1 FTE positions to the College Student Aid Commission, the Departments for the Blind, Cultural Affairs, Education, and the Board of Regents. This is an increase of \$8.1 million and no change in FTE positions compared to the estimated net FY 2004 appropriations.

Division V

Health and Human Services Appropriations—The Bill appropriates \$778.6 million from the General Fund and 6,630.5 FTE positions from various funds to the Departments of Elder Affairs, Public Health, and Human Services, the Commission of Veteran Affairs, and the Iowa Veterans Home. This is an increase of \$28.2 million and 104.0 FTE positions compared to the estimated net FY 2004 appropriations. Other appropriations include:

- \$148.4 million in Temporary Assistance to Needy Families (TANF) funds to the Department of Human Services. This is a decrease of \$716,000 compared to the estimated net FY 2004 appropriation.

- \$37.5 million from the Hospital Trust Fund for the Medical Assistance (Medicaid) Program. This is an increase of \$8.5 million compared to the estimated net FY 2004 appropriation.

Division VI



Senior Living Trust Fund—\$162.6 million from the Senior Living Trust Fund to the Departments of Commerce, Elder Affairs, Human Services, and Inspections and Appeals. This is an increase of \$965,000 compared to the estimated net FY 2004 appropriations.

Division VII

Mental Health Allowed Growth—The Bill increases the appropriation to the FY 2006 Mental Health Allowed Growth by \$4.8 million compared to the enacted FY 2005 Allowed Growth appropriation.

Division VIII

Judicial Branch Appropriations—The Bill appropriates a total of \$119.9 million from the General Fund to the Judicial Branch. This maintains the current level of General Fund support. Judicial Branch FTE positions are not appropriated in the Bill; however, there are 1,922.9 FTE positions, which maintains the current level of FTE positions.

Division IX

Justice System Appropriations—The Bill appropriates a total of \$393.5 million from the General Fund and 5,880.4 FTE positions to the Justice System. This is an increase of \$10.3 million and 67.2 FTE positions compared to the estimated net FY 2004 General Fund appropriation. The House Appropriations Committee Amendment reduces the Department of Corrections General Fund appropriation by \$75,000 to eliminate the Fifth District CBC Special project.

Division X



Standing Appropriations—The Bill appropriates \$2.132 billion from the General Fund, a decrease of \$73.9 million compared to the estimated net FY 2004 Standing Appropriations, salary adjustments, and miscellaneous provisions. Significant changes include:

- Extends the sunset and the \$29.3 million General Fund appropriation for the Early Intervention Block Grant Program until the end of FY 2005.
- Requires the School Aid Allowable Growth Rate percentage to be set one year in advance, beginning with the FY 2006 budget year, instead of two years in advance, as is the current practice. Makes no change to the FY 2005 allowable growth rate of 2.0% and does not set the FY 2006 allowable growth rate.
- Changes FY 2005 requirements to be consistent with the current understanding of how the school budget guarantee phase-out operates by dropping the requirement that a school district's FY 2005 regular program district cost be less than 101.0% of the FY 2004 regular program district cost to qualify for the budget guarantee adjustment. Forty-six school districts that otherwise would not receive the budget guarantee adjustment will receive \$3.0 million in budget guarantee funded by additional levy property taxes.
- Strikes language setting a cap for State Foundation Aid and the language requiring per pupil reductions if funding is not adequate. State Foundation Aid after other changes in the Bill, is estimated to be \$1,881.2 million, an increase of \$109.0 million compared to the estimated net FY 2004.
- Reduces the Area Education Agencies' (AEAs) allocations from State Foundation Aid by \$11.8 million, an amount equal to the AEAs' \$10.0 million general reduction plus the 2.5% across-the-board reduction for FY 2004.



- Appropriates the following from the Cash Reserve Fund:
 - \$102.9 million for the Homestead Tax Credit.
 - \$19.5 million for the Elderly and Disabled Property Tax Credit.
 - \$34.6 million for the Agricultural Land Tax Credit.
 - \$2.6 million for the Military Service Tax Credit.
- The following are related to collective bargaining changes:
 - Specifies the pay adjustments for State employees for each specified bargaining unit and the pay adjustments for non-contract State employees.
 - Exempts specified groups from the pay adjustments.
 - Allows members of the Department of Public Safety that are not covered by collective bargaining to receive the same per diem allowance for meals as officers covered by collective bargaining.
- Appropriates \$3.0 million from the Road Use Tax Fund and \$12.0 million from the Primary Road Fund to the Salary Adjustment Fund, and provides supplemental expenditure authorization from other funds to be used for salary adjustments.
- Eliminates the FY 2005 General Fund appropriation of \$29.8 million to the Endowment for Iowa's Health Account.
- Authorizes the Board of Regents to issue \$120.0 million in Academic Revenue Bonds for capital improvements.
- Requires the State Board of Education, AEAs, and individual school boards to submit data on salary contracts and group health insurance plans negotiated through collective bargaining to the Department of Education and specified members of the Education Standing and Education Appropriations Committees.
- Repeals the State mandate requirement that permits political subdivisions to prorate tax credits and exemptions when State funding is not adequate. This results in the political subdivision partially funding the tax credits or exemptions.



Bill Summary

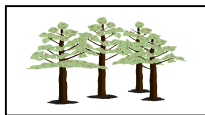
NOBA

The Notes on Bills and Amendments (NOBA) for the House Appropriations Committee Amendment for SF 2298 is available on the Legislative Services Agency (LSA) web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR SIGNS THE ENVIRONMENT FIRST FUND SUPPLEMENTAL ACT – HF 2538

Environment First Fund



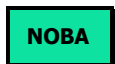
The Governor signed HF 2538 (Environment First Fund Supplemental Act) on April 2. The Act provides a supplemental appropriation of \$17.5 million from the Cash Reserve Fund to the Environment First Fund for FY 2004. The appropriation provides cash flow funding to environmental programs that received FY 2004 appropriations from the Environment First Fund.

Cash Shortage

The Environment First Fund is experiencing a cash flow shortage resulting from a revenue shortfall in the Rebuild Iowa Infrastructure Fund (RIIF). The

shortfall in the RIIF resulted from the Iowa Supreme Court ruling that reduced the State tax rate for racetrack establishments.

Cash Reserve Fund



The Act also requires the RIIF to reimburse the Cash Reserve Fund up to \$17.5 million if the General Assembly enacts legislation that increases the tax on gambling games at racetrack enclosures and the tax is applied retroactively to July 1, 2002. The Act takes effect upon enactment.

More information

The Notes on Bills and Amendments (NOBA) for HF 2538 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.

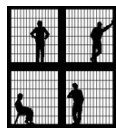
STAFF CONTACT: David Reynolds (Ext. 16934)House

HOUSE PASSES CHILD ENDANGERMENT – HF 2150

Child Endangerment

The House passed HF 2150 (Child Endangerment Bill) as amended and passed by the Senate. The Bill establishes a child endangerment offense for permitting the presence of a child or minor at a location where amphetamine or methamphetamine is either manufactured or where products are possessed with the intent to manufacture a controlled substance. The offense is punishable as a Class D felony.

FY 2005 Impact



During FY 2005, there will be an estimated 96 additional offenders convicted of child endangerment. Thirty-five convictions will be for a Class D felony and 61 convictions will be for an aggravated misdemeanor. For FY 2006 and each year thereafter, there will be an estimated 191 additional convictions, including 69 Class D felonies and 122 aggravated misdemeanors.

Fiscal Impact

The estimated fiscal impact to the State General Fund in FY 2005 is \$218,000 and \$748,000 in FY 2006. The fiscal impact on county jails is estimated to be \$16,000 in FY 2005 and \$31,000 in FY 2006.

More Information

The Fiscal Note for HF 2150 is available on the LSA web site at: <http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

WASTE TIRE MANAGEMENT FUND BILL PASSES HOUSE – HF 2349

Waste Tire Bill



House File 2349 (Waste Tire Management Fund Bill) passed the House on April 1. The Bill changes the allocation of funds appropriated from the Waste Tire Management Fund as follows:

- 30.0% to fund 2.5 FTE positions in the Department of Natural Resources.
- 10.0% for an educational program on waste tire disposal and related health and environmental issues.
- 30.0% for waste tire market development initiatives.
- 30.0% for waste tire stockpile abatement projects that require landowner cost-share funding.

Fiscal Impact

The Fund is expected to have receipts of approximately \$1.0 million in FY 2005.

Bill Summary

The Notes on Bills and Amendments (NOBA) for HF 2349 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

HOUSE PASSES THEFT BILL – HF 2399**Stolen Property**

The House passed HF 2399 (Theft Bill) as amended and passed by the Senate on March 15. The Bill provides that if property is stolen from different locations by two or more acts within a 30-day period and the thefts are attributable to a person or group of persons acting together, these acts may be considered a single theft and the value of the thefts may be the total value of all the property stolen.

Convictions

According to the Justice Data Warehouse, there were 14,910 convictions for theft during FY 2003. Enhancing existing penalties increases demand for resources in the criminal justice system. This includes costs in the Judicial Branch, Community-Based Corrections (CBC), the State prison system, and indigent defense.

Fiscal Impact

The State's increased cost range for one conviction of an enhanced penalty is:

- From a simple to a serious misdemeanor conviction, the range is \$86 to \$4,700.
- From a simple to an aggravated misdemeanor conviction, the range is \$1,100 to \$4,700.
- From a simple misdemeanor to a Class D felony conviction, the range is \$2,000 to \$7,700.
- From a serious to an aggravated misdemeanor conviction, the cost is \$1,000.
- From a serious misdemeanor to a Class D felony conviction, the range is \$1,900 to \$3,000.
- From an aggravated misdemeanor to a Class D felony, the range is \$900 to \$3,000.

More Information

The Fiscal Note for HF 2399 is available on the LSA web site at: <http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

**SENATE TRANSPORTATION COMMITTEE PASSES
COUNTY TREASURER LICENSING MONEYS BILL – HF
2433****County Treasurer**

The Senate Transportation Committee passed HF 2433 (County Treasurer Licensing Moneys Bill). The Bill provides that County Treasurers retain \$7.00 instead of \$5.00 for each issuance or renewal of a driver's license or nonoperator identification card beginning in FY 2005.

Driver's License Study

House File 2433 requires the State Auditor, in consultation with the Department of Transportation (DOT) and the Iowa County Treasurers Association, to conduct a study on the fiscal impact of the County Driver's

License Issuance Program and to issue a report to the General Assembly. The report will be used for adjusting the amount of fees retained by County Treasurers for issuance of driver's licenses and nonoperator identification cards. The State Auditor's costs for conducting the study will be paid by the DOT.

Fiscal Impact

The estimated fiscal impact of HF 2433 is an increase in revenue of \$856,000 to County General Funds and a decrease of the same amount to the Road Use Tax Fund in FY 2005 and beyond.

More Information

The Fiscal Note for HF 2433 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

SENATE PASSES UNUSED PROPERTY MARKET BILL – HF 2493

Unused Property

The Senate passed HF 2493 (Unused Property Market Bill), which regulates sales activities at unused property market events. Violations are punishable as a simple misdemeanor for a first offense, a serious misdemeanor for a second offense, and an aggravated misdemeanor for a third or subsequent offense.



The Bill creates new crimes and applies existing penalties to those crimes. This increases the demand for resources in the criminal justice system for each new conviction. This includes costs in the Judicial Branch, Community-Based Corrections (CBC), the State prison system, and indigent defense. The State costs include:

- Simple misdemeanor ranges from \$14 to \$300.
- Serious misdemeanor ranges from \$100 to \$5,000.
- Aggravated misdemeanor ranges from \$1,100 to \$5,000.

Fiscal Impact

There is no data readily available to predict the number of convictions for new crimes under the Bill. The impact on correctional resources and the fiscal impact are not anticipated to be significant.

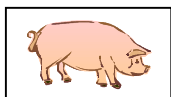
More Information

The Fiscal Note for HF 2493 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE PASSES HEALTH EFFECTS REGULATION BILL – HF 2523

Air Quality Bill



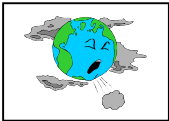
The Senate amended and passed HF 2523 (Health Effects Regulation Bill) on March 31. The Bill makes changes to air quality regulations related to animal feeding operations. The Senate amendment:

- Specifies that the Environmental Protection Commission cannot adopt an ambient air standard that exceeds any standard adopted by the federal Environmental Protection Agency.

- Creates a Monitoring Advisory Committee with members appointed by the Governor to advise the Department of Natural Resources (DNR) on the monitoring of airborne pollutants.
- Details the minimal risk levels for a hydrogen sulfide airborne pollutant.
- Details the guidelines for a long-term risk level.

Proposed Changes**The Bill:**

- Specifies the Environmental Protection Commission cannot adopt a rule related to the health effect level for odor until the Advisory Panel submits the final report and a health effects level for odor is enacted.
- Specifies the DNR must conduct a comprehensive field study of airborne pollutants for a period of at least three years.
- Specifies that a violator will receive a written notice from the DNR and must reduce emissions during a one-year grace period.
- Specifies there must be at least five sites monitoring air quality for each type of animal production and for each type of manure storage treatment system commonly used for animal production. The monitored sites are to be located at different geographic locations around the State.

**Fiscal Impact**

The estimated fiscal impact for HF 2523 is an increase in expenditures to the DNR of \$4.6 million in FY 2005 and \$350,000 in FY 2006.

More Information

The Fiscal Note for HF 2523 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

SENATE PASSES PROTECTIVE ORDERS BILL – HF 2533**Protective Orders Bill**

The Senate passed HF 2533 (Protective Orders Bill), which provides that a person may be convicted of a simple misdemeanor or held in contempt of court for a violation of a valid foreign protective order. Under current law, an offender convicted or held in contempt for a violation of a protective order is required to serve a jail sentence.

Impact of Legislation

There is no data readily available to predict the number of convictions for new crimes under the Bill, therefore, the correction impact and the fiscal impact cannot be determined.

More Information

The Fiscal Note for HF 2533 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

HOUSE PASSES MOTOR VEHICLE FUEL THEFT BILL – SF 2148**Vehicle Theft Bill**

The House passed SF 2148, which permits a judge to suspend a license upon conviction of theft of motor vehicle fuel from a retail dealer. To the extent that judges impose this civil penalty, and offenders drive with a

suspended license, an increase in criminal convictions for driving without a license will occur.

Fiscal Impact

It is estimated that there may be no more than 20 suspensions annually. The DOT reprogramming costs of \$19,000 will be funded from the Road Use Tax Fund.

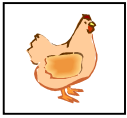
More Information

The Fiscal Note for SF 2148 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE PASSES AVIAN INFLUENZA BILL – SF 2194

Avian Flu Bill



The Senate passed SF 2194 (Avian Influenza Bill) on March 31. The Bill appropriates \$50,000 from the General Fund to the Department of Agriculture and Land Stewardship for the testing and monitoring of Avian Influenza. Avian Influenza is a disease or viral infection of chickens, turkeys, guinea fowls, and other avian species.

Bill Summary

The Notes on Bills and Amendments (NOBA) for SF 2194 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

This document can be found on the LSA web site:
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>